

1996 Operating Plan

Selling

The key to the success of the 1996 Operating Plan is to focus on driving our business.

- Past focus has been on stuff . . . often not business drivers that really made a difference/impacted the business.
- In 1996 and beyond, we must focus on business drivers.
- In sales, the key business drivers are . . . the 3 Ps.

51856 1322

1996 Operating Plan

Sales Effectiveness

1996 Keys to Success, Driving our Business, are:

1. Product Availability
2. Promotion Penetration
3. Presence at Retail

Why the 3 Ps?

- Significantly impacts the consumer and ultimately our business.
- Provides clarity of direction and purpose.
- Clearly defines critical Sales accountabilities.
- Provides feedback on how we are doing through measurements.

Measurements

- Provides information that directs use to adjust/course correct if our programs are not working.

Sales Effectiveness - 3 Ps

I. Promotion Penetration

Definition

- 1) Effectively executing price strategies and
- 2) Within a defined period of time, placing the right promotions in the right retail accounts while maximizing penetration and providing optimum opportunities for competitive adult smoker conversion and/or franchise retention.

Measurement/Objective

To provide analytical tools to aid you in the effective planning, budgeting, and execution of your promotional resources, including:

- Promotional Penetration
- Performance Against Plan
- Region Consumer Pressure
- Price Point Comparisons

Measurement Tools

- Promotion Execution Report (T19 in BPE System - See Attachment A) gives a "topline status" of national monthly promotions, DPC promotions, discounting, co-marketing and supplemental promotions. Weekly report automatically transmitted to RBMs each Monday and may also be accessed through BPE - Function T19. Features are:
 - Planned allocations vs. placements are summarized.
 - Provides a current weekly summary of discounting and co-marketing dollars (monthly and YTD total).
 - Provides a vehicle to monitor promotion penetration expectations.

- Promotion Performance Tracking Report (T14 in BPE System - See Attachment B) provides a more detailed look at promotion activity in your region by program types. Is updated each Monday. Features are:
 - Planned allocations vs. placements are summarized by brand/program number.
 - Discounting dollars spent broken down by brands as well as vehicle type. Co-marketing spending tracked by brand.
 - Can "drill" down to more detail as necessary.
 - Report may be requested by detail or summary level and by program type.
- Price Point Summary
 - SIS Print Report, Functions 550, 551, 552 (See Attachment C). From MRS, provides a price point region/division summary To DM/KAM Level
- Executive Summary Report (See Attachment D)
 - Analyzes Gap levels as % within strategy vs. "More Aggressive" or "Less Aggressive."
 - From MRS, to Region Level.

Sales Effectiveness - 3 Ps

II. Product Availability

Definition

Having the right brands in the right quantity available for consumer purchase upon entry of an account.

Measurement/Objective

Streamline Sales Rep call reporting and rely on Marlin to provide a regional product availability read, thereby eliminating redundant reads.

Measurement Tools

- Brand Distribution Model (See Attachment E)
 - Marlin data, shows distribution by market.
 - Objective is to project share growth based upon market specific distribution opportunities.
 - Region level, targeted to RBM.
- Region specific key identified brands/new brands.
 - SIS brand tables individually target up to six brand styles plus new brands.
 - Provide share development opportunities

Sales Effectiveness - 3 Ps

III. Presence

Definition

1) Pack Outlets - Achieving big brand presence on key full-price (2) and savings brands (1) footprints/displays. Priority is Level II merchandising.

- Availability of key brands.
- Communicating the positioning of these brands that is consistent with the brand strategy.
- Effectively presenting key brands via appropriate advertising, displays and promotion.

2) Carton Outlets - Achieving effective brand positioning, brand communication and the ability to effectively promote on a priority outlet basis. Priority is Level II in only those outlets that warrant the investment.

Measurement/Objective

To build day-in, day-out quality positioning of our key brands by striving for impactful display and advertising placements as viewed by the consumer.

- Heighten our focus on building big brand presence.
- Understand RJR's level of contract presence.
- Streamline existing call reporting entries.

Measurement Tools

CIV Measurement Tool

- In SIS, shows level of merchandising presence by each contract level.
- Tracks volume under contracts toward CIV objectives (58% pack outlet volume, 90% cigarette outlet volume).
- Level: Down to assignment.
- Availability date: January 1996 (see Attachment F)